

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 HARARE 001354

SIPDIS

1E. O. 12958: N/A
TAGS: [ELAB](#) [ETRD](#) [PHUM](#) [PREL](#) [ZI](#)
SUBJECT: Zimbabwe Unqualified for AGOA

Ref: State 168472

Zimbabwe still falls short of AGOA's qualifying criteria. Post's input for the upcoming interagency review follows:

a. Market-Based Economy: In the late-1990s, the Government of Zimbabwe began an economic policy based on broad interventionism, with enforced pricing and parastatals serving as monopolistic middlemen for products such as tobacco and grain. The economy has since shrunk by about 35 percent. Over the past year, the GOZ has backed away from some of the more onerous controls, having relaxed or eliminated many restrictions and price freezes. Most product shortages have come to an end. Nonetheless, this modest tilt does not yet represent sufficient progress toward a market-based economy. The Government still clings to a fixed exchange rate and large array of direct and indirect taxes. Its first inclination is still to impose conditions on the private sector, as demonstrated by its April decision to compel private schools to reduce tuition fees. Inflation is currently around 400 percent, while the savings rate has dropped from 12 to 4 percent since 2000. There has been no recent progress privatizing inefficient parastatals. The GOZ is paying only a small portion of its US\$ 2 billion international arrears.

b. Rule of Law/Political Pluralism/Right to Due Process: The opposition political party operates in a climate of intimidation and repression. The GOZ is prosecuting the opposition leader for treason, a crime that could carry the death penalty. Over the past year, the GOZ has removed Harare's elected mayor and shut down the only non-government daily newspaper. In the same period, the GOZ strengthened laws restricting freedom of assembly, freedom of speech, procedural due process, and private property rights. In politically sensitive cases, the judiciary showed indications of being politically influenced or intimidated; political elites frequently ignore adverse court holdings.

c. Elimination of Barriers to U.S. Trade and Investment: Since December 2003, foreign investors enjoy an important privilege not available to local firms - full access to export processing zones. Foreign firms can also take advantage of the Reserve Bank's revolving loan facility at sub-market rates. Still, Zimbabwe's poor macroeconomic conditions and high risk factor - a consequence of both the break-down of rule-of-law and the Government's de facto nullification of title-deeds belonging to white commercial farmers - scare most U.S. and other foreign investment away. Zimbabwe has become a relatively high-cost player by regional standards, making potential exporters uncompetitive unless supported by the productive sector loans.

d. Poverty Reduction: While the GOZ maintains several programs that provide food or basic services to the poor, these have had minimal effect compared to the general thrust of GOZ economic policy. Most Zimbabweans have grown progressively poorer over the past 6 years. Many Zimbabweans take home only a fraction of their 1997 real wages. As noted above, price controls have failed to keep prices in check. Most Zimbabweans have little or no discretionary income, after paying food and transportation.

e. Anti-Corruption Policies: The Government of Zimbabwe has enacted numerous anti-corruption measures since December 2003. However, most of these have targeted transfers of funds out of the country, which the Government objects to, rather than conventional forms of corruption. The Government has recently jailed many officials for foreign exchange externalization, including the Finance Minister. The Government's ongoing redistribution of white-owned farms has been untransparent and plagued by corruption. Many top officials appear to have handpicked one or more farms for their families. The Government has often expressed its desire to weed this corrupt aspect from land reform, but has not reported much detailed progress to date.

e. Protection of Worker Rights: Despite official recognition of worker rights, the Government continues to exert heavy pressure on labor unions, limiting their freedom of association and right to organize. Unions

have been denied routine meetings and necessary consultations with constituents under the draconian Protection of Order and Security Act (POSA). Senior members of the Zimbabwe Congress of Trade Unions (ZCTU) have been arrested on spurious charges, some of them later reporting physical abuse while in police custody.

Sullivan